



MEMORANDUM

TAB O

May 19, 2022

University of Utah – Lease Agreement for Ivory University House

Board Policy R705, *Lease Space*, requires the Board to approve institutional leases with state-appropriated funds that are more than \$500,000 per year or commit the institution for ten or more years. Board Policy R120 allows the Executive Committee to conduct business requiring the Board’s action during the interim period between Board meetings. At the request of the University of Utah, on account of timing considerations, the Executive Committee reviewed and approved a lease agreement between the University and Ivory University House, L3C, on May 4, 2022.

The Ivory University House is a new student housing community with 552 single-occupancy studio units. The 4-year agreement states that in the event there are 80 unoccupied units on August 1 of each year, the University will lease 40 units for the lease-year starting on the first day of the fall semester at the current rental rate. Based on current rent estimates, the maximum annual obligation is about \$660,000. The University anticipates that any obligation will be funded through the rent paid by students, faculty, and staff who occupy the units; in the unlikely event that any University-assigned units remain unoccupied, the school will use non-state appropriated funds for payment.

The University of Utah Board of Trustees reviewed and approved the agreement on March 29, 2022.

Commissioner’s Recommendation

This is an information item only; no action is required.

April 26, 2022

Commissioner Dave R. Woolstenhulme
Utah System of Higher Education
The Gateway
60 South 400 West
Salt Lake City, Utah 84101-1284

Dear Commissioner Woolstenhulme:

The University of Utah hereby requests approval from the Board of Higher Education to enter into a lease agreement with Ivory University House, L3C for studio housing units in Ivory University House, a new multi-building student housing community under construction at 434 S. Mario Capecchi Drive in Salt Lake City, Utah.

The attached Executive Summary outlines the proposed lease arrangement, as well as the challenges this arrangement proposes to address.

It is anticipated that the University's obligations for the leased studio housing units will be funded by rent paid by the University students, faculty, or staff who occupy the housing units. In the unlikely event a studio housing unit leased by the University is unoccupied for any period during the term of the lease, the unit rent for that period will be paid by the University with non-state appropriated funds.

The University of Utah would welcome an opportunity to present this proposed lease arrangement to the Finance and Facilities Committee at the May 19, 2022 meeting.

Thank you, as always, for your consideration and support.

Sincerely,



Cathy Anderson
Chief Financial Officer

cc: Laura Snow
Phyllis Vetter
Heidi Woodbury

EXECUTIVE SUMMARY

BACKGROUND:

- As reflected in presentations at the October 2021 meeting of the University's Board of Trustees, current capacity to house University of Utah students does not meet the demand. For example, over 700 first year students were on the wait list for on-campus housing for the fall 2021 semester. Students who live on campus during their first year are, on average, 12 percent more likely to graduate. Because we prioritize first year students, we are only able to house upper division and transfer students at a lower level. Students without University housing are at a higher risk of not attending, which has an impact on our enrollment.
- While we are adding more on-campus housing (e.g., expanding Kahlert Village and building the Impact, Health, & Prosperity Epicenter), we expect that demand will continue to exceed supply. The challenging housing market in our area is also affecting recruitment of faculty and staff who are experiencing difficulty and lengthy searches to find housing.
- We believe it will be very helpful to have the option of providing some student housing, and potentially temporary housing for new faculty and staff members, in Ivory University House, a new multi-building student housing community under construction at 434 S. Mario Capecchi Drive. This innovative housing project and initiative led by Clark and Christine Ivory will create 552 single-occupancy residential studio units adjacent to campus. As explained below, Ivory University House will also generate scholarships for University of Utah students for years to come, resulting in significant value and benefit to the University and its students.
- ***Approval requested to enter into a Lease Agreement with Ivory University House, L3C for studio housing units in Ivory University House.***

SUMMARY OF PROPOSED BUSINESS TERMS:

- The following is a summary of the business terms of the proposed lease:
 - **Commencement Date:** The first day of the University's fall academic semester immediately following the issuance of a certificate of occupancy for Ivory University House.
 - **Total Term:** Four (4) years.
 - **Number of leased units:** Subject to availability and the specific terms of the lease, at least 40 housing units each year.
 - **Rental Rate:** The rent payable by University for each leased unit shall be the then-current monthly rent charged to other parties renting units in Ivory University House. Rent includes utilities (up to the utility cap applicable to all occupants) and access by the occupant to all amenities within the Ivory University House development except parking.
 - **Eligible Occupants:** The occupants of the units leased by University will be selected by University and those occupants may be a combination of any of the following, as determined by University in its sole discretion: upper-class or graduate students, first or second year undergraduate students, postdoctoral fellows, medical residents, and/or single faculty or staff members. Each occupant of a unit leased by University will enter into an occupancy agreement directly with the Owner. That occupancy agreement shall include provisions clarifying that the occupant shall be personally responsible for payment directly to the Owner of any parking fees and utility cap overage fees, but that the basic rent amount shall be paid directly by University to the Owner.
 - **Non-Profit:** The Ivory University House housing project is owned by Ivory University House, L3C (the "Owner"). The underlying land is ground leased by the Owner from The Church of Jesus Christ of Latter-day Saints on a long-term basis. The ground lease provides that Ivory University House will be operated on a non-profit basis with any

profit to be used for scholarships for students attending the University of Utah or for other exempt purposes benefiting the University's students.

ITEM FOR CONSENT

For the meeting of May 20, 2022

RE: Lease – Consent to enter into a lease agreement with Ivory University House, L3C for studio housing units in Ivory University House, a new multi-building student housing community under construction at 434 S. Mario Capecchi Drive in Salt Lake City, Utah.

The President recommends approval of the real property lease transaction described below.

BACKGROUND

As presented to the Executive Committee of the Board of Trustees during its meeting on March 29, 2022, although the University is adding more on-campus housing (e.g., expanding Kahlert Village and building the Impact, Health, & Prosperity Epicenter), the University expects that demand for on-campus housing will continue to exceed supply.

Given this expected demand, the University has determined it would be beneficial to have the option of providing some student housing, and potentially temporary housing for new faculty and staff members, in Ivory University House. Ivory University House is an innovative housing project and initiative led by Clark and Christine Ivory that will create 552 single-occupancy residential studio units adjacent to campus. Ivory University House will be operated on a non-profit basis with any profit used for scholarships for University of Utah students or for other exempt purposes benefitting the University's students.

Approval is requested to authorize the University to enter into a lease agreement with Ivory University House, L3C for studio housing units in Ivory University House.

Lease of Housing Units in Ivory University House by the University of Utah

Ivory University House is a new multi-building student housing community located at 434 S Mario Capecchi Drive. This innovative student housing project and initiative led by Clark and Christine Ivory will create 552 single-occupancy residential studio units adjacent to campus and will also generate scholarships for University of Utah students for years to come, resulting in significant value and benefit to the University and its students.

Ivory University House, L3C (“Owner”) agrees to lease to the University of Utah (“University”) housing units in Ivory University House on the following terms and conditions:

1. **Term**: The term (the “Term”) of this lease (the “Lease”) shall begin on the date this Lease is fully executed and shall end on the last day of the fourth Lease Year.
2. **Units/Rent**: If there are at least 80 housing units in the Ivory University House that are not occupied or reserved by other parties on August 1st prior to the first day of each Lease Year, then Owner will lease to University, and University will lease from Owner, 40 units during that Lease Year. “Lease Year” means the full twelve-month period that starts on the first day of the University’s fall academic semester immediately following the issuance of a certificate of occupancy for Ivory University House and each of the next three consecutive years following the first Lease Year. The rent payable by University for each leased unit shall be the then-current monthly rent charged to other parties, prorated for any partial month, and shall be payable monthly on the same schedule as other occupants of Ivory University House. Rent includes utilities provided by Owner (up to the utility cap applicable to all occupants) and access by the occupant to all amenities within the Ivory University House development (the “Project”) except parking. The occupants of the units leased by University shall be selected by University and those occupants may be a combination of any of the following, as determined by University in its sole discretion: upper-class or graduate students, first or second year undergraduate students, postdoctoral fellows, medical residents, and/or single faculty or staff members. Each occupant of a unit leased by University shall enter into an occupancy agreement directly with Owner. That occupancy agreement shall include provisions clarifying that the occupant shall be personally responsible for payment directly to Owner of any parking fees and utility cap coverage fees, but that the basic rent amount shall be paid directly by University to Owner. Owner agrees that University shall not be responsible for any parking fees or utility cap coverage fees.
3. **Lease Amendments to Add Additional Units**: Owner and University acknowledge that they have discussed that University may wish to lease from Owner during the Term of this Lease additional housing units for specific University programs or to accommodate other housing needs of University. Subject to availability, Owner is willing to amend this Lease to increase the number of housing units University will lease from Owner under Section 2 from 40 to the higher number requested by University.
4. **Management**: Owner shall cause the entire Project, including the units and all appliances in the units, to be maintained in good condition and repair throughout the Term, subject to ordinary wear and tear. Owner shall also cause the Project to be maintained and managed throughout the Term in a first-class manner, with due attention to safety. Owner agrees to work in good faith with University to resolve in an expeditious manner any concerns reasonably raised by University concerning the maintenance or management of the Project. University shall have no responsibility for: (i) the maintenance or management of the Project, (ii) any activities taking place in the Project, or (iii) any actions of any occupants of the Project, including occupants of units leased by University.
5. **University a Governmental Entity**: This Lease is subject to and conditioned upon approval by the University’s governing boards. Promptly following execution of this Lease by the parties, Owner agrees to provide University with a copy of the plans and specifications for the Project. University carries insurance through the State Risk Manager of the State of Utah up to the limits required by the State Risk Manager of the State of Utah and under applicable law and shall not be required to carry different or additional liability insurance as a result of this Lease. Occupants of units in the Project shall be encouraged to obtain renter’s insurance to cover occupant’s personal property located at the Project and general liability. University is a governmental entity under the Governmental Immunity Act of Utah, Utah Code Ann., Section 63G-7-101 *et seq.*, as amended (the “Act”), and University does not waive any protections, rights, or defenses applicable to University under the Act, including without limitation, the provisions of Section 63G-7-604 regarding limitation of judgments. The parties acknowledge and agree the relationship among the parties with respect to the arrangement addressed in this document is strictly contractual. Owner represents that it has full right and authority to enter into this Lease.

[Signatures on the following page]

ACCEPTED AND AGREED TO:

The University of Utah

Ivory University House, L3C

By: _____

By: _____

Printed Name: Cathy Anderson

Printed Name: _____

Title: Chief Financial Officer and
Vice President for Administrative Services

Title: _____

Date: _____

Date: _____